

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

OAKLEY, INC., a Washington corporation, } Case No. 09-CV-2037-JLS (JMA)
Plaintiff, }
v. } **ORDER DENYING WITHOUT PREJUDICE DEFENDANTS' MOTION TO COMPEL PRODUCTION OF DOCUMENTS [Doc. Nos. 42, 43]**
BUGABOOS EYEWEAR CORP., a Canadian Corporation, et al., }
Defendants. }
AND RELATED COUNTERCLAIM. }

Presently before the Court is a Joint Motion for Determination of Discovery Dispute Re: Defendants' Motion to Compel Production of Privileged Documents (hereinafter "Joint Motion" or "Joint Mot."). [Doc. Nos. 42, 43.] For the reasons set forth below, Defendants' motion to compel is **DENIED** without prejudice.

I. BACKGROUND

Plaintiff/Counterdefendant Oakley, Inc. (hereinafter "Oakley") commenced this patent and trademark infringement action on September 17, 2009. [Doc. No. 1.] Oakley filed a First Amended Complaint on November 6, 2009. [Doc. No. 7.] Suntech Optics, Inc. filed an Answer and Counterclaims on May 17, 2010. [Doc. No. 12.] The Seventh Counterclaim asserts a false marking claim against Oakley which alleges,

1 "Oakley has violated 35 U.S.C. § 292(a), by marking over one-hundred of its products
 2 with language indicating that the products are protected by patents which do not cover
 3 the marked products because: (i) a plurality of the patents have expired . . . , (ii) most if
 4 not all of the patents listed on Oakley's marking documents do not actually cover the
 5 Oakley products, and . . . (iii) several of the listed patents in Oakley's marking are not
 6 even owned by Oakley . . ." Answer and Countercls., ¶ 43. The counterclaim further
 7 alleges, "each of [Oakley's Glasses] are sold with a box or package directing a
 8 purchaser to examine the packaging or enclosed warranty card for a list of patents
 9 covering the enclosed product." Id., ¶ 46. "[T]he Oakley Glasses sold in the United
 10 States within the past few years come with either one of two listings of patents on the
 11 warranty card: (i) '© 2005 Oakley, Inc. www.oakley.com 91-014 REV. J 01/07' . . . or (ii)
 12 '© 2005 Oakley, Inc. www.oakley.com 91-014 REV. K 04/09' . . ." Id. Additionally,
 13 "Oakley has and continues to mark additional products, product packaging, and/or
 14 advertising with expired, surrendered, inapplicable, and/or unenforceable United States
 15 patent numbers." Id., § 77. Oakley filed an answer to the counterclaims on May 21,
 16 2010. [Doc. No. 15.]

17 On August 23, 2010, the Court granted a joint motion for name change of
 18 Defendants/Counterclaimants from Suntech Optics, Inc. to Bugaboos Eyewear Corp.
 19 and Bugaboos Eyewear (U.S.) Inc. (hereinafter collectively "Bugaboos"). [Doc. No. 26.]
 20 On August 26, 2010, Oakley filed a motion for summary judgment on Bugaboos' false
 21 marking counterclaim. [Doc. No. 27.] The motion is presently set for hearing on
 22 November 17, 2010 before the Honorable Janis L. Sammartino. [Doc. No. 41.] On
 23 August 30, 2010, Oakley filed a motion for leave to amend answer to counterclaims.
 24 [Doc. No. 29.] That motion is set for hearing on November 19, 2010 before Judge
 25 Sammartino. Id.

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1 **II. LEGAL STANDARDS**

2 **A. False Marking**

3 The “false marking” statute, 35 U.S.C. § 292, provides, “Whoever marks upon, or
 4 affixes to, or uses in advertising in connection with any unpatented article, the word
 5 “patent” or any word or number importing that the same is patented, for the purpose of
 6 deceiving the public; . . . [s]hall be fined not more than \$500 for every such offense.” 35
 7 U.S.C. § 292(a). With respect to the “for the purpose of deceiving the public”
 8 requirement, the Federal Circuit recently stated, “[U]nder Clontech¹ and under Supreme
 9 Court precedent, the combination of a false statement and knowledge that the
 10 statement was false creates a rebuttable presumption of intent to deceive the public,
 11 rather than irrebuttably proving such intent.” Pequignot v. Solo Cup Co., 608 F.3d 1356,
 12 1362-63 (Fed. Cir. 2010). “[A] good faith belief that an action is appropriate, especially
 13 when it is taken for a purpose other than deceiving the public, can negate the inference
 14 of a purpose of deceiving the public.” Id. at 1364. A party may, *inter alia*, rely upon the
 15 advice of counsel to defeat an inference of intent. Id.

16 **B. Attorney-Client Privilege**

17 “The attorney-client privilege protects the confidentiality of communications
 18 between attorney and client made for the purpose of obtaining legal advice.” In re
 19 EchoStar Communications Corp., 448 F.3d 1294, 1300 (Fed. Cir. 2006) (citing
 20 Genentech, Inc. v. Int'l Trade Comm'n, 122 F.3d 1409, 1415 (Fed. Cir. 1997)). Because
 21 the attorney-client privilege “impedes full and free discovery of the truth,” the privilege is
 22 strictly construed. U.S. v. Martin, 278 F.3d 988, 999 (9th Cir. 2002). The burden of
 23 establishing that the privilege applies rests upon the party asserting the privilege. U.S.
 24 v. Munoz, 233 F.3d 1117, 1128 (9th Cir. 2000); Newport Pacific, Inc. v. County of San
 25 Diego, 200 F.R.D. 628, 633 (S.D. Cal. 2001).

26 When a party puts at issue legal advice it received, e.g., by way of an advice of
 27 counsel defense, it waives the attorney-client privilege with respect to those

28 ¹ Clontech Labs., Inc. v. Invitrogen Corp., 406 F.3d 1347 (Fed. Cir. 2005).

1 communications. Chevron Corp. v. Pennzoil Co., 974 F.2d 1156, 1163 (9th Cir. 1992).
 2 A party cannot claim that it relied on the advice of counsel, while protecting the
 3 communications from disclosure. “[S]elective waiver of the privilege may lead to the
 4 inequitable result that the waiving party could waive its privilege for favorable advice
 5 while asserting its privilege on unfavorable advice.” In re EchoStar, 448 F.3d at 1301
 6 (citation omitted). “In such a case, the party uses the attorney-client privilege as both a
 7 sword and a shield.” Id. (citation omitted). “To prevent such abuses, . . . when a party
 8 defends its actions by disclosing an attorney-client communication, it waives the
 9 attorney-client privilege as to all such communications regarding the same subject
 10 matter.” Id.

11 Disclosure of privileged attorney communications to a third party also constitutes
 12 waiver of the attorney-client privilege. Chevron, 974 F.2d at 1162. The disclosure of
 13 such communications “constitutes waiver only as to those communications about the
 14 matter actually disclosed.” Id. (internal quotations and citation omitted).

15 C. Work Product Doctrine

16 “[M]aterials relating to mental impressions, opinions and legal theories of
 17 attorneys” are typically protected from disclosure as work product. Thorn EMI N. Am.,
 18 Inc. v. Micron Tech., 837 F. Supp. 616, 621 (D. Del. 1993) (citing Fed. R. Civ. P.
 19 26(b)(3)). “Like the attorney-client privilege, work product immunity can be waived.” Id.
 20 However, “a party’s assertion of good faith reliance on advice of counsel [does not]
 21 necessarily put counsel’s work product at issue.” Id. at 622. “The attorney-client
 22 privilege and the work-product doctrine, though related, are two distinct concepts and
 23 waiver of one does not necessarily waive the other.” In re EchoStar, 448 F.3d at 1300.
 24 “Counsel’s mental impressions, conclusions, opinions or legal theories are not probative
 25 [of state of mind] unless they have been communicated to [the] client.” Thorn EMI, 837
 26 F. Supp. at 622. This is because “[w]ork-product waiver extends only so far as to inform
 27 the court of the [party’s] state of mind.” In re EchoStar, 448 F.3d at 1303. “Counsel’s
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1 opinion is not important for its legal correctness.” Id.²

2 **III. DISCUSSION**

3 Bugaboos contends that Oakley has waived the attorney-client privilege pursuant
 4 to its assertion of an advice of counsel defense to Bugaboos’ false marking
 5 counterclaim. Alternatively, Bugaboos argues that Oakley has waived the attorney-
 6 client privilege by disclosing certain attorney-client documents and information.

7 **A. Oakley Has Not Yet Asserted the Advice of Counsel Defense**

8 The parties agree that Oakley has stated *an intent* to rely upon the advice of
 9 counsel in defense of the false marking counterclaim. See Joint Mot., Bugaboos’
 10 Statement at 3 (“Oakley also indicated its *intent* to rely upon privileged documents in
 11 support of a reliance on advice of counsel defense” and “despite its *stated intention* that
 12 reliance on the advice of counsel will be central to its defense”) (emphases added);
 13 id., Oakley’s Statement at 1 (referring to “Oakley’s *potential reliance* on the advice-of-
 14 counsel defense”) (emphasis added). There has been no showing that Oakley has
 15 actually asserted the advice of counsel defense. A party waives the attorney-client
 16 privilege “when [it] defends its actions by disclosing an attorney-client communication . .
 17 . . .” In re EchoStar, 448 F.3d at 1301. Oakley has not relied upon the advice of counsel
 18 to defend itself in any pleadings filed with the Court to date, and there is nothing in the
 19 record before the Court that shows that Oakley has produced or presented evidence of
 20 its reliance upon the advice of counsel with respect to the false marking counterclaim.

21 Bugaboos argues that Oakley has waived the attorney-client privilege by filing a
 22 proposed amended answer that asserts a reliance on advice of counsel defense. See
 23 Joint Mot., Bugaboos’ Statement at 1. Oakley did file a proposed amended answer as
 24 an exhibit to its pending motion for leave to amend answer to counterclaims. See Mot.
 25 for Leave to Amend Answer to Counterclaims, Ex. A [Doc. No. 29-1]. However,

27 ² Work product may be discoverable if a party waives its immunity and discloses its
 28 work product, or if the opposing party demonstrates a “substantial need for the materials.” See
In re Martin Marietta Corp., 856 F.2d 619, 622-23 (4th Cir. 1988); Fed. R. Civ. P. 26(b)(3).
 Bugaboos does not, however, seek the production of any work product under these bases.

1 Bugaboos' argument ignores the fact that Oakley's *proposed* amended answer is
 2 exactly that -- a *proposed* pleading that is not yet Oakley's operative pleading in
 3 response to Bugaboos' counterclaims -- and that Bugaboos itself has *opposed* the filing
 4 of that proposed pleading. See Bugaboos' Opposition to Oakley's Motion for Leave to
 5 Amend Its Answer to Counterclaims [Doc. No. 44]. Given that Oakley's proposed
 6 amended answer is a proposed pleading only, and that Oakley *cannot* file it as an
 7 operative pleading absent the granting of its pending motion for leave to amend answer
 8 to counterclaims or a stipulation between the parties (see Fed. R. Civ. P. 15(a)(2)), the
 9 Court finds that the advice of counsel defense has not yet been asserted, and thus the
 10 attorney-client privilege has not been waived, by way of Oakley's proposed amended
 11 answer.

12 **B. There Has Been No Showing that Oakley Produced Documents
 13 Reflecting Attorney Advice**

14 Bugaboos next asserts that Oakley has waived the attorney-client privilege by
 15 producing documents reflecting attorney advice. In support of this argument, Bugaboos
 16 observes that Oakley "produced a document from an extensive database maintained by
 17 an in-house attorney, Alex Tiquia, and its outside counsel, Gregory Nelson at Weeks
 18 Kaufman, reflecting which products the legal counsel concluded are covered by each
 19 patent." Joint Mot., Bugaboos' Statement at 4. Oakley acknowledges that it did
 20 produce "a list of information . . . that identifies which products are covered by which
 21 patents." Oakley contends, however, that "none of these productions are actually
 22 privileged documents" as "[t]he list was created by the litigation team specifically in
 23 response to the interrogatory; it was not created from a privileged database." Id.,
 24 Oakley's Statement at 9.

25 "The attorney-client privilege protects the confidentiality of communications
 26 between attorney and client made for the purpose of obtaining legal advice."
 27 Genentech, 122 F.3d at 1415. Bugaboos has not demonstrated that the above-
 28 referenced document was an attorney-client communication made for the purpose of

1 obtaining legal advice, and Oakley unequivocally states that it was *not* such a
 2 communication. The Court cannot find, based on the record before it, that the above
 3 document consists of an attorney-client communication such that the attorney-client
 4 privilege was waived by way of its production.

5 **C. Oakley's Privilege Log Descriptions Did Not Waive the Attorney-**
 Client Privilege

7 Next, Bugaboos contends that Oakley waived the attorney-client privilege by
 8 producing a privilege log that contains descriptions containing legal advice from
 9 counsel. Joint Mot., Bugaboos' Statement at 5 & Ex. A. The Court has reviewed the
 10 entries on the privilege log which Bugaboos asserts waive the attorney-client privilege,
 11 and finds they do not divulge the content of any attorney-client communications.
 12 Rather, the descriptions reveal only the fact that communications occurred for the
 13 purpose of giving or receiving legal advice on certain topics.³ Indeed, Oakley did
 14 nothing more than comply with Rule 26 of the Federal Rules of Civil Procedure, which
 15 provides in relevant part:

16 When a party withholds information otherwise discoverable by claiming
 that the information is privileged . . . , the party must:

- 17 (i) expressly make the claim; and
- 18 (ii) describe the nature of the documents, communications, or tangible
 things not produced or disclosed—and do so in such a manner that,
 without revealing information itself privileged or protected, will
 enable other parties to assess the claim.

21 Fed. R. Civ. P. 26(b)(5)(A). Because Oakley did not divulge any legal advice in the
 22 privilege log entries cited by Bugaboos, Oakley did not waive the attorney-client
 23 privilege with respect to these communications.

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25 ³ Actually, the last two privilege log entries referred to by Bugaboos, Entry Nos. 1008
 26 and 1009, were identified in the privilege log not as attorney-client communications but rather
 27 as attorney work product. Joint Mot., Ex. A. As such, these entries cannot support Bugaboos'
 28 argument that Oakley waived the *attorney-client privilege* by including these entries on its
 privilege log. See, e.g., In re EchoStar, 448 F.3d at 1300 ("[t]he attorney-client privilege and
 the work-product doctrine, though related, are two distinct concepts and waiver of one does
 not necessarily waive the other.").

1 **D. Oakley Did Not Waive the Attorney-Client Privilege in Its Discovery**
 2 **Responses and Meet and Confer Letter**

3 Bugaboos argues that Oakley waived the attorney-client privilege in its response
 4 to Request for Admission No. 7 propounded by Bugaboos upon Oakley. Request for
 5 Admission No. 7, and Oakley's response thereto, are as follows:

6 Request for Admission No. 7: Admit that [Oakley's warranty card, Rev. K]
 7 was drafted with the advice of one or more attorneys.

8 Response: . . . Oakley admits that it relied on the advice of counsel in
 9 preparing all or part of one or more versions of its warranty card, including
 10 Rev. K.

11 Supp. Filing Re Joint Motion [Doc. No. 46] at 5. Oakley's admission that it relied on the
 12 advice of counsel to prepare its warranty cards, however, is not tantamount to Oakley
 13 waiving the attorney-client privilege to defend itself against Bugaboos' false marking
 14 claim. Oakley has simply admitted that it relied on the advice of counsel to prepare its
 15 warranty cards. An admission of this type does not waive any privilege. Only if a party
 16 relies on the advice of counsel to defend itself or negate an element of a claim is the
 17 attorney-client privilege waived. See, e.g., In re EchoStar, 448 F.3d at 1301.
 18 Therefore, Oakley did not waive the attorney-client privilege by virtue of its response to
 19 Request for Admission No. 7.

20 Bugaboos further argues that Oakley waived the attorney-client privilege in meet
 21 and confer correspondence by stating:

22 One prominent supplementation relates to Oakley's privileged documents
 23 associated with its intent, decisions, and method of marking patents. This
 24 group of documents is substantial and Oakley very much wants to
 25 produce these documents to show that there is no merit to your client's
 26 false marking claim.

27 Joint Mot., Bugaboos' Statement at 6 (citing Nelson Letter dated July 29, 2010). The
 28 Court declines to construe this language as a present waiver of the attorney-client
 29 privilege. While it is clear that Oakley's counsel has engaged in discussions with
 30 Bugaboos' counsel regarding Oakley's intent to assert an advice of counsel defense,
 31 the associated waiver of the attorney-client privilege, and what the scope of the waiver

ought to be, such discussions do not amount to an actual waiver of the privilege.

E. Oakley is Not Required to Waive Privilege Now or Relinquish Its Reliance on the Advice of Counsel Defense

Acknowledging Oakley may not yet have waived the attorney-client privilege, Bugaboos argues in the alternative that Oakley must be required to waive the privilege now or relinquish its advice of counsel defense. Joint Mot., Bugaboos' Statement at 6. Bugaboos relies upon authority which disallows a party from using the attorney-client privilege as both a "sword" (by waiving its privilege for favorable advice) and a "shield" (by asserting privilege for unfavorable advice). Id. (citing In re EchoStar, 448 F.3d at 1301). Citation to this authority, however, is premature, as no "sword" has been brandished yet because Oakley has not disclosed any information -- favorable or unfavorable -- to support its intended advice of counsel defense to the false marking claim. One does not brandish the "sword" of attorney-client privileged information, in the context of an advice of counsel defense, until it actually defends itself on the basis of the advice it received. See, e.g., In re EchoStar, 448 F.3d at 1301.

Although Bugaboos argues Oakley has refused to provide information needed to oppose Oakley's pending motion for summary judgment on the basis of privilege, and thus has "shielded" such information from disclosure, this is a shield of a different nature -- that is, the normal shield of privileged information -- and one which Oakley is permitted to use, absent a waiver of privilege. See Fed. R. Civ. P. 26(b) (in general, a party may obtain discovery of any matter so long as it is *nonprivileged* and is relevant to the claim or defense of any party). Further, if Bugaboos believes it needs additional discovery, and that it cannot present facts essential to justify its opposition to the motion for summary judgment without such discovery, its proper recourse is to file an affidavit pursuant to Fed. R. Civ. P. 56(f).

IV. CONCLUSION

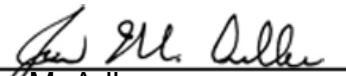
Bugaboos has provided no authority or argument upon which the Court can presently find that Oakley has waived the attorney-client privilege in relation to the false

1 marking counterclaim. Moreover, the scope of the subject matter of an attorney-client
2 privilege waiver in this case will be defined by the nature of the advice of counsel relied
3 upon by Oakley. "There is no bright line test for determining what constitutes the
4 subject matter of a waiver, rather courts weigh the circumstances of the disclosure, the
5 nature of the legal advice sought and the prejudice to the parties of permitting or
6 prohibiting further disclosures." Fort James Corp. v. Solo Cup Co., 412 F.3d 1340,
7 1349-50 (Fed. Cir. 2005). This, of course, presupposes that a disclosure has already
8 been made. The Court declines to provide an advisory opinion on the scope of the
9 waiver until the waiver has been made and the advice relied upon has been disclosed.
10 Accordingly, Bugaboos' motion to compel production of privileged documents is
11 **DENIED** without prejudice.

12 If, following the issuance of the rulings on Oakley's pending motions and/or upon
13 a waiver by Oakley of the attorney-client privilege, the parties are unable to agree upon
14 the scope of the waiver, the parties shall jointly notify the undersigned's chambers of
15 such fact prior to filing a further Joint Motion for Determination of Discovery Dispute on
16 this topic.

17 **IT IS SO ORDERED.**

18 DATED: October 15, 2010

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20 Jan M. Adler
U.S. Magistrate Judge

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